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NDLERF

Characteristics and dynamics of cocaine supply
and demand in Sydney and Melbourne

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Characteristics and dynamics of cocaine supply and demand in Sydney and Melbourne

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Executive Summary

Cocaine and crack cocaine are the leading causes of illicit drug-related problems in North America and in more recent years have emerged as serious problems in Western Europe. Australia and the Asia Pacific have largely escaped this global trend and crack cocaine use remains uncommon. The market for cocaine in Australia has been small, and socially and geographically concentrated, reducing the visibility of cocaine use and 'related-harms' such as hospital admissions and user and provider arrests. Nevertheless, in recent years hundreds of kilograms of cocaine have been intercepted on boats in Australian waters, found in remote beaches on the Eastern and Western Seaboards and in Pacific Islands en route to Australia [ACC 2003]. What occurs to large cocaine shipments once they arrived in Australia has not been entirely clear.

This study set out to examine the characteristics and dynamics of cocaine supply and demand in the two largest Australian cities, Sydney and Melbourne. The main aim of the study was to describe the breadth (in terms of types of users and dealers) and the depth of the market (length of supply chains, overlap with other drug supply). The analysis was based on 165 personal interviews with cocaine users in Sydney ($n=88$) and Melbourne ($n=77$) conducted between October 2004 and January 2005. The data was supplemented with a further 133 questionnaires completed by cocaine users through an Internet-based survey over the same period (Sydney $n=39$, Melbourne $n=94$). Twenty 'for-profit' cocaine dealers were identified within the sample and they provided detailed histories of drug dealing and recent cocaine transactions. The dealer case studies appear in Appendix B.

The study replicated previous findings regarding the Australian cocaine market in so far as two distinct types of cocaine users were identified. The first were employed, well-educated, socially and economically integrated users who occasionally snorted cocaine, typically in conjunction with a range of licit and illicit drugs. High socio-economic status individuals (high income, university-educated, professionals), who are sometimes associated with cocaine use in the public mind, were a small minority within this group of young poly-drug users. Social networks were the main way that such socially integrated users were first introduced to suppliers and continued to access cocaine. Cocaine was funded through their own paid employment, with gifts or 'shouting' also commonly reported. This group mainly used cocaine in private social settings, such as homes and private parties. Ultimately this type of user reported very few cocaine-specific problems at the low, irregular levels of use identified in the study.

The second group of socially and economically marginalised users found in Sydney typically injected cocaine, often in conjunction with heroin. Marginalised injecting cocaine users in Sydney appear to be among the leading users of cocaine in Australia. The group may itself have been a result of heroin injectors shifting to cocaine injection after a prolonged period of reduced heroin availability [Topp et al. 2003]. This group tended to support their habit through government benefits, sex work and dealing drugs (i.e. cocaine, cannabis, heroin). Cocaine was purchased by this group either on the street or at dealer's houses. This group experienced most cocaine-specific harms including financial, relationship and legal problems and high levels of cocaine dependence.

The dealers interviewed were mostly male, well educated and employed, with above average incomes. Two types of cocaine dealers were identified. One type of dealer typically supplied cocaine to marginalized injecting drug users but had little involvement in supplying heroin. A second group of dealers typically supplied the socially integrated users and were also involved in the retail supply of ecstasy. No dealers reported supplying crack cocaine. Most money was made at the point of importation or when ounces or grams of cocaine were broken down and

diluted into caps for cocaine injection. Returns made by other middle level and retail dealers were reasonable but not sufficient to compensate for the risk of apprehension and potential penalties. The risk of apprehension was minimised through keeping tight control on the number and nature of customers.

The price of cocaine was similar in both Sydney and Melbourne at around \$267 per gram or \$50 per cap (approximately 0.1 grams) in Sydney. The price of cocaine was reported to have remained stable over the preceding six months. During this time the availability of cocaine remained stable, it was considered to be medium or high purity and was very easy to purchase. Cocaine users in Sydney generally used larger quantities of cocaine, and used it more frequently, than those in Melbourne. The estimated annual consumption of cocaine in both cities was 2,916 kilograms (see Appendix A). The Sydney market made up 87% of cocaine consumption reported by participants in this research, dominated by injecting drug users. Large-scale shipments of cocaine rapidly diffuse into the Australian market through short supply chains characterised by low levels of cutting and the relatively low mark-ups on the landed price of cocaine identified in this study. Demand among cocaine using groups is very strong as evidenced by the speed at which landed cocaine reaches end-users, the high retail prices end-users are willing to pay and the fact that the bulk of cocaine is absorbed at its first point of entry in Sydney.

The nature and structure of the Australian cocaine market presents several challenges to law enforcement. The rapid movement of landed cocaine through tight socially based networks of dealers and users is difficult to disrupt as evidenced by the small numbers of domestic seizures and arrests [ACC 2005]. The fact that cocaine is usually bought and sold in private 'rather than public locations' is a further challenge for law enforcement in policing the cocaine trade. The integration of cocaine into poly-drug supply networks built around ecstasy distribution may increase exposure to casual cocaine use among younger poly-drug users in both Sydney and Melbourne. The large-scale cocaine supply required to meet Australian demand is a trans-national enterprise and so operations at the border and beyond remain the most effective strategy to maintain the current high price and low availability that characterises Australian cocaine supply.